

METHOD AND APPARATUS FOR TAX
EFFICIENT INVESTMENT MANAGEMENT

ABSTRACT OF THE DISCLOSURE

5 A method and apparatus for automatically managing investment portfolios is disclosed which substantially tracks a selected index and automatically harvests tax losses. The system includes an accounting system for maintaining tax lot information for individual
10 accounts, an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses, and a trading system for executing trades. Each investor owns the securities in his/her account, and therefore, harvested losses
15 can be used to offset capital gains. Securities sold to harvest tax losses are repurchased at a later time selected to avoid application of the Internal Revenue Service wash sale rules, with exchange traded funds (ETF's) from the same technological sector as the
20 securities being sold to harvest tax losses being used as temporary replacement securities for the portfolios.